

Defense Acquisition Performance Assessment Project President & CEO

President & CEO BAE Systems, Inc.

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We Understand What our

Customers Want.. Be More Flexible Turn on a Dime And Be Smaller, Cheaper

Problems with the Defense Acquisition System

- Cost growth
- Schedule delays
- Unfulfilled requirements

Most defense programs are successful - this industry builds the best products in the world

The Problems That We Face Are Getting Tougher

- Programs becoming more complex
- Massive consolidation in the supply base
- Requirements are less stable due to less defined and varied threats
 - National defense strategy is responding to shifting environment
 - Past requirements may become obsolete
- Economic reality will put increased pressure on defense budgets

Therefore, improvements are needed

Stabilize Program Funding

- Require rigorous cost realism assessments during the selection and negotiation process; make cost realism a significant factor in competitive source selection
- Select a cost basis that considers risks, including the likelihood that these risks will occur, and adds an appropriate management reserve
- Improve stability of program funding over multiple fiscal years and minimize impact of competing political priorities

Manage Requirements

- Establish realistic and achievable requirements
 - Changes and undefined requirements result in significant program shifts and impacts on cost and schedule
 - Cost-plus environment with award fees makes it hard to "just say no"
 - Limit data requirements
- •Eliminate unplanned requirements changes
 - Constant shift of requirements during Systems Design
 Development (SDD)
 - Redesign and re-plan during program execution
- More disciplined application of design to unit cost,
 technology insertion, and spiral development procedures

Bolster the Acquisition Corps

- Consolidate the acquisition corps
 - Most past studies recommended this
 - We are buying fewer, more complex systems
 - Our valued talent should be applied more broadly
- Increase stability of leadership at all levels
- Create an independent systems engineering capability within DoD to participate in major milestone reviews

Partner with Industry Early in the Planning Stages

- Develop and share the requirement with industry
 - Specify the problem/need vs. the technology used to solve the problem
- Share the draft acquisition plan
- Get the requirements and the draft acquisition plan out well in advance of the draft RFP

Apply Performance-Based Contracting More Broadly

- Buy outcomes, not inputs
- Set required performance levels with appropriate rewards and penalties
- Broad application
 - Services
 - Logistics/equipment support

Use Parallel Concept Studies Followed by Demos More Frequently



- "4-2-1" approach
 - Numerous contractors develop concepts
 - Downselect to 2 for demonstrations
 - Downselect to 1 for production
- Wider field of contractors and broader range of solutions can be considered
- Most capable solutions/providers prevail
- Less reliance on written proposals and more on parallel demos

Proposals are Like the Wizard of Oz . BAE SYSTEMS You Need to Look Behind the Curtain

I've never seen a PowerPoint or proposal that didn't work

JSF Demonstration Program

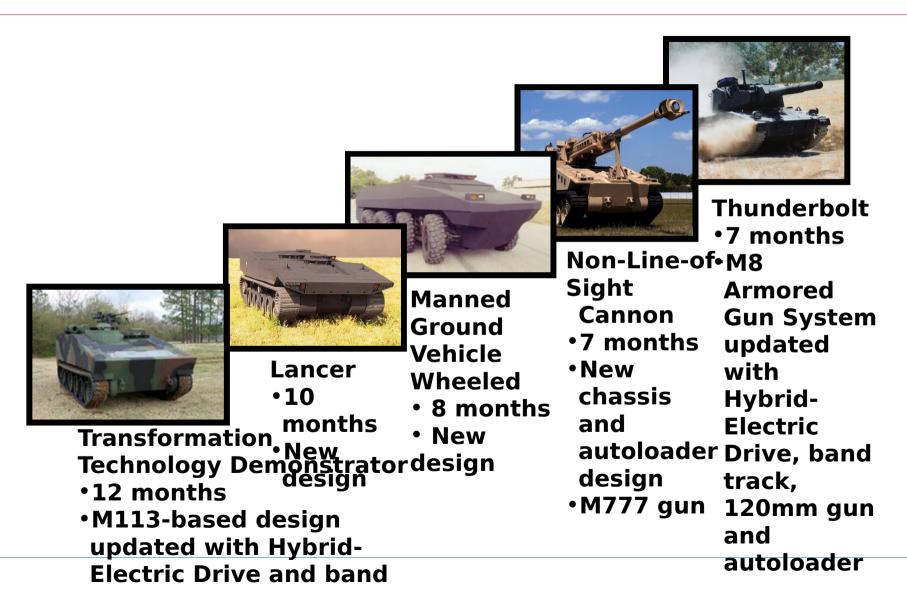




- 4 concept definition contracts
- 2 concept demonstration contracts
- 1 SDD contract award

Demonstration Programs Can Be Done Quickly





- Many solutions have been successfully implemented in selected acquisitions
 - Stabilize program funding
 - Manage requirements
 - Bolster the acquisition corps
 - Partner with industry early in the planning stages
 - Apply performance-based contracting
 - Use parallel concept studies followed by demos

Deploy broadly with consistency and rigor